

SCOMM

87:16

Alaska State Legislature

Representative Carl E. Moses



CHAIRMAN
HOUSE RULES COMMITTEE

CHAIRMAN
HOUSE SPECIAL FISHERIES COMMITTEE

MEMBER
FINANCE SUBCOMMITTEES
FISH AND GAME
PUBLIC SAFETY

SESSION:
CAPITOL BUILDING, ROOM 204
JUNEAU, ALASKA 99801-1182
PHONE: (907) 465-4451
FAX: (907) 465-3445

INTERIM:
P.O. BOX 109
UNALASKA, ALASKA 99685
PHONE: (907) 581-1234
FAX: (907) 581-2875

SPONSOR STATEMENT FOR

HB 252

REFINANCING OF COMMERCIAL FISHING LOANS

I have introduced House Bill 252 to give the Department of Commerce the authority to refinance existing commercial fishing loans. Most of the 1,200 commercial fishermen who now have state loans are paying 10.5% in interest rates. Regulations provide for new fixed rate loans at 2% above the bank prime rate. Since the current bank prime rate is 6%, current commercial fishing loans are now at 8% rates. However, the Department of Commerce has no mechanism to allow for current loans to be refinanced to take advantage of the lower interest rates that are currently available.

Commercial fishermen have been faced these past few years with low prices and unpredictable fish returns. Following the disastrous 1991 salmon season, the Department of Commerce approved loan extensions for nearly half of the existing loans. More than 3000 fishermen are reportedly in arrears this year to the Internal Revenue Service for back taxes. The commercial fishing industry is obviously in bad shape. Allowing fishermen to refinance their loans and reduce their monthly payments is one obvious way the legislature can help the industry out. Although there is a cost for such a refinancing program, there is sufficient cash flow in the revolving loan fund to accomodate it. Additionally, fishermen would have an easier time making their payments if their loans were at lower interest rates.

HB 252 Refinancing of Commercial Fishing Loans
Sponsored by Representative Carl Moses

Administration contact:

Martin Richard, Director
Division of Investments
Department of Commerce and Economic Development
465-2510

BASIS Journal Text

04/22/93

HOUSE JOURNAL

PAGE 1445

HB 252 was read the third time.

The question being: "Shall HB 252 pass the House?" The roll was taken with the following result:

HB 252

Third Reading

Final Passage

YEAS: 33 NAYS: 2 EXCUSED: 0 ABSENT: 0a

Yeas: Barnes, Brice, Brown, Bunde, Carney, Davidson, Davies, B.Davis, G.Davis, Finkelstein, Foster, Green, Grussendorf, Hanley, Hoffman, Hudson, James, Kott, Larson, Mackie, MacLean, Menard, Moses, Mulder, Navarre, Nicholia, Nordlund, Olberg, Parnell, Phillips, Porter, Sanders, Sitton, Toohey, Ulmer, Vezey, Williams, Willis

Selection=>

PF1	PF2	PF3	PF4	PF5	PF6	PF7	PF8	PF9	PF10	PF11	PF12
HELP		EXIT	MENU		PRINT	BWD	FWD		FIRST	LAST	QUIT

BASIS Journal Text

04/22/93

HOUSE JOURNAL

PAGE 1445

Nays: Martin, Therriault

And so, HB 252 passed the House and was referred to the Chief Clerk
for engrossment.

Selection=>

B005-LAST PAGE

PF1	PF2	PF3	PF4	PF5	PF6	PF7	PF8	PF9	PF10	PF11	PF12
HELP		EXIT	MENU		PRINT	BWD	FWD		FIRST	LAST	QUIT

4/12

Resources

Finance

HB 252

REFINANCING COMMERCIAL FISHING LOANS

[] additional referral to the _____ Committee

[] zero fiscal note(s) _____

Bill Hudson
CHAIRMAN'S SIGNATURE

HOUSE COMMITTEE REPORT

(9)

Date Referred: April 12, 1993

FURTHER REFERRALS:

Finance

Date of Committee Action: _____

The RESOURCES Committee considered:

HB 252

HOUSE BILL NO. 252

REFINANCING COMMERCIAL FISHING LOANS

"An Act amending the Commercial Fishing Loan Act to authorize refinancing of existing loans made under that Act."

RECOMMENDATIONS:

be replaced with

[] the same title

[] a new title

[] have attached amendments(s)

[] do pass

[] do not pass

[] no recommendations

[] individual recommendations

☐ additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

[] fiscal impact _____

[] fiscal note(s) _____

[] zero fiscal note _____

[] zero fiscal note(s) _____

[illegible]

CHAIRMAN'S SIGNATURE

HOUSE COMMITTEE REPORT

(11)

Date Referred: April 13, 1993

FURTHER REFERRALS:

Rules
4/21

Date of Committee Action: 4/20/93

The FINANCE Committee considered:

HB 252

HOUSE BILL NO. 252

REFINANCING COMMERCIAL FISHING LOANS

"An Act amending the Commercial Fishing Loan Act to authorize refinancing of existing loans made under that Act."

RECOMMENDATIONS: ☐ the same title
be replaced with ☐ a new title
☐ have attached amendments(s)
☐ do pass
☐ do not pass
☒ no recommendations
☐ individual recommendations
☐ additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) APPROVES PREVIOUS: (Dept/Date)

☒ fiscal impact Dept of Commerce By Finance Committee ☐ fiscal note(s) _____
☐ zero fiscal note _____ ☐ zero fiscal note(s) _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Donald J. Larson</i> Larson	X	<i>EP Maclean</i> Maclean		✓	
<i>Ben Grussendorf</i> Grussendorf	X	<i>Mark Hanley</i> Hanley		X	
<i>Tom Hoffman</i> Hoffman	✓	<i>Terry Martin</i> Martin			2✓
<i>Richard Foster</i> Foster	X	<i>Sean Parnell</i> Parnell	X		
		<i>Mike Navarre</i> Navarre		✓	
		<i>Tan Brown</i> Brown		✓	
		<i>Gene Theriault</i> Theriault		X	
	(4)			(6)	(1)

CO-CHAIRS

Donald J. Larson *EP Maclean*
COCHAIRMAN'S SIGNATURE
Larson Maclean

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF INVESTMENTS

WALTER J. HICKEL, GOVERNOR

MAR 22 1993

P.O. BOX 34159
3032 VINTAGE BLVD.
JUNEAU, ALASKA 99803-4159
PHONE: (907) 790-2693
FAX: (907) 790-2781

March 18, 1993

The Honorable Carl Moses
Alaska House of Representatives
State Capital, Room 204
Juneau, AK 99801-1182

Dear Representative Moses:

As requested by Molly McCammon from your staff, we have done some analysis of the costs involved in amending the Commercial Fishing loan program to include refinancing of existing loans. The majority of loans in our portfolio were made at 10.5%, resulting in an annual return of interest to the fund of approximately \$6,879,000. If refinancing were allowed, the interest rate on these loans would be reduced to 8% resulting in a reduction of \$1,638,000 in interest payments to the fund each year. In addition, there would be an administrative cost involved in refinancing approximately 1,200 loans. Even with a streamlined program, there would be a cost of, at least, \$210,000 in the first year. It should be noted that under current regulations a commitment fee paid by the borrower at closing would offset this expense by providing approximately \$328,000 to the loan fund.

Refinancing existing loans, if allowed, would reduce the interest paid by the borrowers. It would also, however, substantially reduce the cash flow into the loan fund, potentially jeopardizing the "revolving" nature of the fund, which has not had an infusion of General Fund dollars since 1985. Reduced payments into the fund may lessen our ability to meet the needs of those fishers who need loans to finance permit and vessel purchases.

Please contact me at 465-2510 if you have any further questions.

Cordially,



Martin J. Richard
Director

cc: Paul Fuhs, Commissioner
Department of Commerce and Economic Development

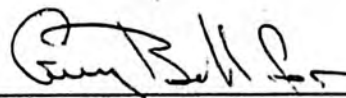
HB 252: "An act amending the Commercial Fishing Loan Act to authorize refinancing of existing loans made under that Act."

This legislation would allow the Department to refinance existing loans in the Commercial Fishing Revolving Loan Fund to take advantage of lower interest rates currently available. Almost all loans, more than 1,200, currently on the books were made at 10.5%. 3 AAC 80.055(k) provides for new fixed rate loans at 2% above the bank prime rate. The current bank prime rate is 6%, making the commercial fishing loan rate 8%.

A loan refinance is accomplished by originating a new loan under currently available terms and paying off the existing loan debt. Fees generated will be in excess of the administrative costs estimated for the program.

The reduction of 2.5% in interest on the existing loans will result in more than a million and a half dollars of reduced cash flow into the Commercial Fishing Revolving Loan Fund. This may limit the ability to meet loan demand in future years.

The Department is neutral on this legislation. This will result in a general benefit to all fishers with existing loans in the program, but may result in funds not being available in the future to those for which the program was designed to assist.



Paul Fuhs, Commissioner

Date: 3-25-93



UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 112
Juneau, Alaska 99801
907/586-2820
Fax: 907/463-2545

April 20, 1993

The Honorable Carl Moses
Representative
Alaska State House of Representatives
The Capitol Building
Juneau, Alaska 99801-1182

Dear Representative Moses:

In regards to House Bill 252 - Refinancing Commercial Fishing Loans, United Fishermen of Alaska overwhelmingly supports this bill. If there is a bill that would have the largest single impact for commercial fishermen this year, this would be the one.

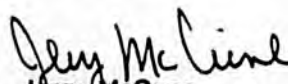
The existing loan fund has always been a solid program. It has paid for itself many times over and has paid \$5 million in surplus alone to the State's General Fund this year. The problem of refinancing these State loans has existed since 1989 and, throughout this time, we have continually tried to have it amended so that the current loanholders could refinance their loans at a lower interest rate. United Fishermen of Alaska feels that commercial fishermen continually pay their portion to the State's General Fund. The Legislature continues to address cutting the budget during this session due to rising costs. Likewise, the commercial fisherman needs relief from expenses from rising costs and HB 252 would allow such relief to the fisherman while continuing to support the Revolving Loan Fund.

Commercial banks have cut way back on fisheries loans due to fluctuations of prices and unstable fisheries throughout the state. Many small fishermen rely on the State's Loan Program because of these cutbacks. State loans are a good investment for the State's future fishermen as it allows many residents the chance to begin a fisheries career who would not have otherwise had the opportunity.

House Bill 252 makes good sense from a business standpoint since every other kind of loan can be refinanced at a lower rate. Currently, fishermen with existing loans are paying a fixed rate of 10.5%, while new applicants for loans pay only eight percent (8%). The commercial fishermen who hold the 10.5% loans are struggling to make ends meet. Allowing them to refinance their loans at eight percent (8%) would give these loanholders and their families better financial stability.

You can make the difference for these Alaskan residents. Please support House Bill 252 and help a lot of State residents from Bristol Bay to Southeastern Alaska refinance their loans!

Sincerely,


Jerry McCune
President

cc: UFA Board of Directors

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Longline Fisherman's Association • Alaska Trollers Association • Area K Seiners Association
Bering Sea Fishermen's Association • Bristol Bay Driftnetters Association • Concerned Area "M" Fishermen
Cook Inlet Aquaculture Association • Cordova District Fishermen United • Kenai Peninsula Fishermen's Association
North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association • Peninsula Marketing Association
Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Seafood Producers Cooperative
Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association
United Cook Inlet Drift Association • Western Alaska Cooperative Marketing Association



UNITED FISHERMEN OF ALASKA

MAR 29 1993

211 Fourth Street, Suite 112
Juneau, Alaska 99801
907/586-2820
Fax: 907/463-2545

March 25, 1993

The Honorable Carl Moses
House of Representatives
The Capitol Building, Room 204
Juneau, Alaska 99801-1182

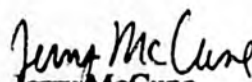
Dear Representative Moses:

United Fishermen of Alaska sincerely appreciates your introducing HB 252 "An Act amending the Commercial Fishing Loan Act to authorize refinancing of existing loans made under that Act." This bill would exempt a great many fishermen.

As you know, there are some fisheries and fishermen who are currently having a real rough time financially. This bill would benefit many families in the state of Alaska who are struggling for existence right now.

Once again, thank you. If UFA can be of any assistance to you, please do not hesitate to call.

Sincerely,


Jerry McCune
President

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Longline Fisherman's Association • Alaska Trollers Association • Area K Seiners Association
Bering Sea Fishermen's Association • Bristol Bay Driftnetters Association • Concerned Area "M" Fishermen
Cook Inlet Aquaculture Association • Cordova District Fishermen United • Kenai Peninsula Fishermen's Association
North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association • Peninsula Marketing Association
Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Seafood Producers Cooperative
Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association
United Cook Inlet Drift Association • Western Alaska Cooperative Marketing Association

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSIONBILL NO. HB 252Revision Date: March 25, 1993Title: Refinancing Commercial Fishing LoansDepartment Affected: Commerce and Economic DevelopmentBRU: InvestmentsSponsor: Representative Moses

Component: _____

Requestor: House Labor and CommerceCOMPONENT SERIAL NO. 0384

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	166.5	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	4.0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	170.5	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE C/F LOAN FUND SOURCE: 1036	328.0	[1,638.0]	[1,638.0]	[1,638.0]	[1,638.0]	[1,638.0]
---------------------------------------	-------	-----------	-----------	-----------	-----------	-----------

FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER C/F LOAN 1036	170.5	0	0	0	0	0
TOTAL	170.5	0	0	0	0	0

POSITIONS:

FULL-TIME	4	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY 93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)

See attached.

Prepared by: Martin J. RichardPhone: 465-2510Division: Investments

Date: _____

Approved by Commissioner: Paul FuhsAgency: Commerce and Economic DevelopmentDate: 3 25 93

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. HB 252

ANALYSIS: (continued)

This fiscal note assumes that this legislation will be effective in FY94. It will impact approximately 1,200 existing loans in the Commercial Fishing Loan Program. The refinance of an existing loan is accomplished by originating a new loan and paying off the existing debt.

Personal Services

Loan Examiner II - This position will coordinate the refinance program and be responsible for reviewing financial data and approving the origination of the new loan.

Loan Closer I - These two positions will process the requisite loan documentation for the loan and the collateral securing the loan.

Accounting Tech. I - This position will prepare the necessary accounting documentation to pay off the existing loan to be refinanced.

Supplies

This cost is for general office supplies needed by the above noted staff.

Revenue Fund Source

In FY94 \$328.0 will be earned through loan origination fees of 1/2% of the loan amount. The impact to the Commercial Fishing Revolving Loan Fund of this reduction from 10.5% loans to the currently available 8% loans is approximately \$1,638.0 per year. This is a reduction in cashflow to the Fund as a result of less interest being paid in each subsequent year.

Position Title Accounting Technician I			No. of Positions 1	Range / Step 12A	Barg. Unit GGU
Time Status Full-Time	Staff Months 12 months		Location Juneau		Election District
TYPE OF EXPENDITURE		AMOUNT	Justification This position is needed to process the requisite loan documents to complete the refinance of an existing loan.		
Salary		27.9			
Benefits		12.2			
Premium Pay					
Other					
Total Personal Services		40.1			
Travel					
Contractual					
Commodities		1.0			
Equipment					
Other					
Total Cost		41.1			
FUNDING SOURCE FOR TOTAL COST					
Federal Receipts	1002				
G.F. Match	1003				
General Fund	1004				
I-A Receipts	1007				
CIP Receipts	1061				
Other	C/F Loan 1036	41.1			

Request For New Position

AGENCY Commerce and Economic Development

BRU Investments

COMPONENT _____

FY 94

Page 1 of 1
Revised Date: March 25, 1993

Position Title Loan Closer I			No. of Positions 2	Range / Step 10A	Barg. Unit GGU
Time Status Full-Time	Staff Months 12 months		Location Juneau		Election District
TYPE OF EXPENDITURE		AMOUNT	Justification These positions are needed to process the requisite loan documents to complete the refinance of an existing loan.		
Salary	24.8	49.6			
Benefits	11.3	22.6			
Premium Pay					
Other					
Total Personal Services	36.1	72.2			
Travel					
Contractual					
Commodities		2.0			
Equipment					
Other					
Total Cost		74.2			
FUNDING SOURCE FOR TOTAL COST					
Federal Receipts	1002				
G.F. Match	1003				
General Fund	1004				
I-A Receipts	1007				
CIP Receipts	1061				
Other C/F Loan	1036	74.2			

Request For New Position

AGENCY Commerce and Economic Development
 BRU Investments
 COMPONENT _____

FY 94

Page 1 of 1
 Revised Date: March 25, 1993

Position Title Loan Examiner II			No. of Positions 1	Range / Step 17A	Barg. Unit GGU
Time Status Full-Time	Staff Months 12 months		Location Juneau		Election District
TYPE OF EXPENDITURE		AMOUNT	Justification This position is needed to process the requisite loan documents to complete the refinance of an existing loan.		
Salary		39.0			
Benefits		15.2			
Premium Pay					
Other					
Total Personal Services		54.2			
Travel					
Contractual					
Commodities		1.0			
Equipment					
Other					
Total Cost		55.2			
FUNDING SOURCE FOR TOTAL COST					
Federal Receipts	1002				
G.F. Match	1003				
General Fund	1004				
I-A Receipts	1007				
CIP Receipts	1061				
Other	C/F Loan 1036	55.2			

Request For New Position

AGENCY Commerce and Economic Development

BRU Investments

COMPONENT _____

FY 94

Page 1 of 1

Revised Date: March 25, 1993



UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 112
Juneau, Alaska 99801
907/586-2820
Fax: 907/463-2545

April 20, 1993

The Honorable Carl Moses
Representative
Alaska State House of Representatives
The Capitol Building
Juneau, Alaska 99801-1182

Dear Representative Moses:

In regards to House Bill 252 - Refinancing Commercial Fishing Loans, United Fishermen of Alaska overwhelmingly supports this bill. If there is a bill that would have the largest single impact for commercial fishermen this year, this would be the one.

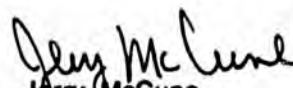
The existing loan fund has always been a solid program. It has paid for itself many times over and has paid \$5 million in surplus alone to the State's General Fund this year. The problem of refinancing these State loans has existed since 1989 and, throughout this time, we have continually tried to have it amended so that the current loanholders could refinance their loans at a lower interest rate. United Fishermen of Alaska feels that commercial fishermen continually pay their portion to the State's General Fund. The Legislature continues to address cutting the budget during this session due to rising costs. Likewise, the commercial fisherman needs relief from expenses from rising costs and HB 252 would allow such relief to the fisherman while continuing to support the Revolving Loan Fund.

Commercial banks have cut way back on fisheries loans due to fluctuations of prices and unstable fisheries throughout the state. Many small fishermen rely on the State's Loan Program because of these cutbacks. State loans are a good investment for the State's future fishermen as it allows many residents the chance to begin a fisheries career who would not have otherwise had the opportunity.

House Bill 252 makes good sense from a business standpoint since every other kind of loan can be refinanced at a lower rate. Currently, fishermen with existing loans are paying a fixed rate of 10.5%, while new applicants for loans pay only eight percent (8%). The commercial fishermen who hold the 10.5% loans are struggling to make ends meet. Allowing them to refinance their loans at eight percent (8%) would give these loanholders and their families better financial stability.

You can make the difference for these Alaskan residents. Please support House Bill 252 and help a lot of State residents from Bristol Bay to Southeastern Alaska refinance their loans!

Sincerely,


Jerry McCune
President

cc: UFA Board of Directors

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Longline Fisherman's Association • Alaska Trollers Association • Area K Seiners Association
Bering Sea Fishermen's Association • Bristol Bay Driftnetters Association • Concerned Area "M" Fishermen
Cook Inlet Aquaculture Association • Cordova District Fishermen United • Kenai Peninsula Fishermen's Association
North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association • Peninsula Marketing Association
Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Seafood Producers Cooperative
Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association
United Cook Inlet Drift Association • Western Alaska Cooperative Marketing Association

Alaska House of Representatives
Letter of Intent for HB 252

It is the intent of the Alaska House that the Department of Commerce and Economic Development establish regulations to reflect priorities for use of the Commercial Fishing Revolving Loan Fund in the following order:

- 1) new loans to purchase limited entry permits
- 2) new loans to purchase vessels
- 3) new loans to purchase gear
- 4) refinancing of existing loans
- 5) new loans to purchase IFQ quota shares



MAR 29 1993
UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 112
Juneau, Alaska 99801
907/586-2820
Fax: 907/463-2545

March 25, 1993

The Honorable Carl Moses
House of Representatives
The Capitol Building, Room 204
Juneau, Alaska 99801-1182

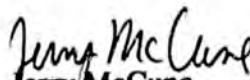
Dear Representative Moses:

United Fishermen of Alaska sincerely appreciates your introducing HB 252 "An Act amending the Commercial Fishing Loan Act to authorize refinancing of existing loans made under that Act." This bill would exempt a great many fishermen.

As you know, there are some fisheries and fishermen who are currently having a real rough time financially. This bill would benefit many families in the state of Alaska who are struggling for existence right now.

Once again, thank you. If UFA can be of any assistance to you, please do not hesitate to call.

Sincerely,


Jerry McCune
President

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Longline Fisherman's Association • Alaska Trollers Association • Area K Seiners Association
Bering Sea Fishermen's Association • Bristol Bay Driftnetters Association • Concerned Area "M" Fishermen
Cook Inlet Aquaculture Association • Cordova District Fishermen United • Kenai Peninsula Fishermen's Association
North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association • Peninsula Marketing Association
Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Seafood Producers Cooperative
Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association
United Cook Inlet Drift Association • Western Alaska Cooperative Marketing Association

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSIONBILL NO. HB 252Revision Date: March 25, 1993Title: Refinancing Commercial Fishing LoansSponsor: Representative MosesRequestor: House Labor and CommerceDepartment Affected: Commerce and Economic DevelopmentBRU: Investments

Component: _____

COMPONENT SERIAL NO. 0384

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	166.5	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	4.0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	170.5	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE C/F LOAN FUND SOURCE: 1036	328.0	[1,638.0]	[1,638.0]	[1,638.0]	[1,638.0]	[1,638.0]
---------------------------------------	-------	-----------	-----------	-----------	-----------	-----------

FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER C/F LOAN 1036	170.5	0	0	0	0	0
TOTAL	170.5	0	0	0	0	0

POSITIONS:

FULL-TIME	4	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY 93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)

See attached.

Prepared by: Martin J. Richard
Division: InvestmentsPhone: 465-2510
Date: _____Approved by Commissioner: Paul Fuhs
Agency: Commerce and Economic DevelopmentDate: 3 25 93PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
For further distribution information call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. HB 252

ANALYSIS: (continued)

This fiscal note assumes that this legislation will be effective in FY94. It will impact approximately 1,200 existing loans in the Commercial Fishing Loan Program. The refinance of an existing loan is accomplished by originating a new loan and paying off the existing debt.

Personal Services

Loan Examiner II - This position will coordinate the refinance program and be responsible for reviewing financial data and approving the origination of the new loan.

Loan Closer I - These two positions will process the requisite loan documentation for the loan and the collateral securing the loan.

Accounting Tech. I - This position will prepare the necessary accounting documentation to pay off the existing loan to be refinanced.

Supplies

This cost is for general office supplies needed by the above noted staff.

Revenue Fund Source

In FY94 \$328.0 will be earned through loan origination fees of 1/2% of the loan amount. The impact to the Commercial Fishing Revolving Loan Fund of this reduction from 10.5% loans to the currently available 8% loans is approximately \$1,638.0 per year. This is a reduction in cashflow to the Fund as a result of less interest being paid in each subsequent year.

Position Title Accounting Technician I			No. of Positions 1	Range / Step 12A	Barg. Unit GGU
Time Status Full-Time	Staff Months 12 months		Location Juneau	Election District	
TYPE OF EXPENDITURE		AMOUNT	Justification This position is needed to process the requisite loan documents to complete the refinance of an existing loan.		
Salary		27.9			
Benefits		12.2			
Premium Pay					
Other					
Total Personal Services		40.1			
Travel					
Contractual					
Commodities		1.0			
Equipment					
Other					
Total Cost		41.1			
FUNDING SOURCE FOR TOTAL COST					
Federal Receipts	1002				
G.F. Match	1003				
General Fund	1004				
I-A Receipts	1007				
CIP Receipts	1061				
Other	C/F Loan 1036	41.1			

Request For New Position

AGENCY Commerce and Economic Development

BRU Investments

COMPONENT _____

FY 94

Page 1 of 1

Revised Date: March 25, 1993

Position Title Loan Closer I			No. of Positions 2	Range / Step 10A	Barg. Unit GGU
Time Status Full-Time	Staff Months 12 months		Location Juneau	Election District	
TYPE OF EXPENDITURE		AMOUNT	Justification These positions are needed to process the requisite loan documents to complete the refinance of an existing loan.		
Salary	24.8	49.6			
Benefits	11.3	22.6			
Premium Pay					
Other					
Total Personal Services	36.1	72.2			
Travel					
Contractual					
Commodities		2.0			
Equipment					
Other					
Total Cost		74.2			
FUNDING SOURCE FOR TOTAL COST					
Federal Receipts 1002					
G.F. Match 1003					
General Fund 1004					
I-A Receipts 1007					
CIP Receipts 1061					
Other C/F Loan 1036		74.2			

Request For New Position

AGENCY Commerce and Economic Development

BRU Investments

COMPONENT _____

FY 94

Page 1 of 1
Revised Date: March 25, 1993

Position Title Loan Examiner II			No. of Positions 1	Range / Step 17A	Barg. Unit GGU
Time Status Full-Time	Staff Months 12 months		Location Juneau	Election District	
TYPE OF EXPENDITURE		AMOUNT	Justification This position is needed to process the requisite loan documents to complete the refinance of an existing loan.		
Salary		39.0			
Benefits		15.2			
Premium Pay					
Other					
Total Personal Services		54.2			
Travel					
Contractual					
Commodities		1.0			
Equipment					
Other					
Total Cost		55.2			
FUNDING SOURCE FOR TOTAL COST					
Federal Receipts	1002				
G.F. Match	1003				
General Fund	1004				
I-A Receipts	1007				
CIP Receipts	1061				
Other	C/F Loan 1036	55.2			

Request For New Position

AGENCY Commerce and Economic Development
 BRU Investments
 COMPONENT _____

FY 94

Page 1 of 1
 Revised Date: March 25, 1993

**THE
FOLLOWING
DOCUMENTS
ARE
POOR
ORIGINAL
COPIES**

HB 252: "An act amending the Commercial Fishing Loan Act to authorize refinancing of existing loans made under that Act."

This legislation would allow the Department to refinance existing loans in the Commercial Fishing Revolving Loan Fund to take advantage of lower interest rates currently available. Almost all loans, more than 1,200, currently on the books were made at 10.5%. 3 AAC 80.055(k) provides for new fixed rate loans at 2% above the bank prime rate. The current bank prime rate is 6%, making the commercial fishing loan rate 8%.

A loan refinance is accomplished by originating a new loan under currently available terms and paying off the existing loan debt. Fees generated will be in excess of the administrative costs estimated for the program.

The reduction of 2.5% in interest on the existing loans will result in more than a million and a half dollars of reduced cash flow into the Commercial Fishing Revolving Loan Fund. This may limit the ability to meet loan demand in future years.

The Department is neutral on this legislation. This will result in a general benefit to all fishers with existing loans in the program, but may result in funds not being available in the future to those for which the program was designed to assist.


Paul Fuhs, Commissioner

Date: 3-25-93

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF INVESTMENTS

WALTER J. HICKEL, GOVERNOR

P.O. BOX 34189
3082 VINTAGE BLVD.
JUNEAU, ALASKA 99803-4189
PHONE: (907) 780-2993
FAX: (907) 780-2781

March 18, 1993

The Honorable Carl Moses
Alaska House of Representatives
State Capital, Room 204
Juneau, AK 99801-1182

Dear Representative Moses:

As requested by Molly McCammon from your staff, we have done some analysis of the costs involved in amending the Commercial Fishing loan program to include refinancing of existing loans. The majority of loans in our portfolio were made at 10.5%, resulting in an annual return of interest to the fund of approximately \$6,879,000. If refinancing were allowed, the interest rate on these loans would be reduced to 8% resulting in a reduction of \$1,638,000 in interest payments to the fund each year. In addition, there would be an administrative cost involved in refinancing approximately 1,200 loans. Even with a streamlined program, there would be a cost of, at least, \$210,000 in the first year. It should be noted that under current regulations a commitment fee paid by the borrower at closing would offset this expense by providing approximately \$328,000 to the loan fund.

Refinancing existing loans, if allowed, would reduce the interest paid by the borrowers. It would also, however, substantially reduce the cash flow into the loan fund, potentially jeopardizing the "revolving" nature of the fund, which has not had an infusion of General Fund dollars since 1985. Reduced payments into the fund may lessen our ability to meet the needs of those fishers who need loans to finance permit and vessel purchases.

Please contact me at 465-2510 if you have any further questions.

Cordially,


Martin J. Richard
Director

cc: Paul Fuhs, Commissioner
Department of Commerce and Economic Development